

From: Gurza, Alex

Sent: Monday, September 13, 2010 6:06 PM

To: Fire SJFFL

Cc: 'Jeffrey Welch'; 'Juan Diaz'; 'Soren Coats'; 'Chris Platten'; Reed, Teresa; Hermanson, Marcus; Rodriguez, Aracely

Subject: Package Proposal for Settlement

Randy—

During our meeting last week, you mentioned that one of the concerns from the members was the City did not provide specific pay and benefit reductions that would comprise the 8.91% reduction in total compensation. You also mentioned that there was a concern that there was no date specified as to when the 49 firefighters would be rehired.

In order to address these concerns, we are providing the attached letter and proposal for settlement. Please note that if this proposal is accepted, the 49 firefighters will be rehired once the agreement has been ratified by the membership and approved by the City Council. We can then put the Truck and four Engines back in service serving the residents.

Sincerely,

--Alex

Alex Gurza

Director of Employee Relations

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September 13, 2010

Randy Sekany
San Jose Fire Fighters, IAFF, Local 230
425 E. Santa Clara Street, Suite 300
San Jose, CA 95113

RE: City Package Proposal for Settlement

Dear Randy:

Thank you for meeting with us on September 8th to discuss the membership vote on whether the San Jose Firefighters would accept an 8.91% total compensation reduction that would allow the City to hire back the 49 firefighters that were recently laid off and restore the Fire Truck and four Fire Engines that were eliminated.

As we had indicated in our letter dated August 12, 2010, if the San Jose Fire Fighters agreed to an 8.91% total compensation reduction, the City would immediately negotiate with Local 230 on the combination of pay and benefit reductions that would total an 8.91% reduction in verifiable savings for Fiscal Year 2010-2011. In addition, the agreement would need to include the transition to fully pre-fund retiree healthcare benefits. You indicated that during the membership meetings, some members expressed concern that the City had not provided any specificity on what would be included in an 8.91% total compensation reduction.

In response to this concern and in an effort to reach a voluntary agreement that would avoid binding interest arbitration that is currently scheduled for November, we are enclosing a package proposal that would achieve an 8.91% total compensation reduction.

We did want to highlight a few issues.

Phase-in to Fully Pre-fund Retiree Healthcare

As in all of the City's proposals, the enclosed package proposal includes an agreement that the City and employees begin phasing in to fully pre-fund retiree healthcare benefits over a five-year period beginning Fiscal Year 2010-2011. As you know, the San Jose Firefighters is the only employee group that has not yet begun to transition to fully fund retiree healthcare benefits. All other City employees are in their second year of the phase in.

Retirement Benefit Reform

We appreciate that the San Jose Fire Fighters recognize the need for retirement benefit reform and that you have proposed a second tier for pension benefits. We agree that a second tier is necessary. Given the significant costs of pension and retiree healthcare benefits, the City is interested in exploring options for both these benefits. Therefore, per the option included in your last proposal, the City's package proposal includes a proposal to commence negotiations on retirement benefits within thirty (30) calendar days following ratification of the membership on a voluntary settlement agreement and approval by the City Council.

Rehire Laid Off Firefighters and No Further Layoffs for Fiscal Year 2010-2011

During our meeting on September 8th, you indicated that the membership was concerned that if they agreed to the concessions that the City is seeking, the members did not know if and when the 49 laid off firefighters would be reemployed. We have included a proposal that would guarantee that the 49 firefighters would be re-employed following ratification by the membership of the agreement and approval by the City Council. As part of the package proposal, the City will also guarantee that there would be no further layoffs in Fiscal Year 2010-2011.

Additional Employee Retirement Contributions to Offset City Contributions

You will find that we have not included a proposal on having employees make additional retirement contributions to offset the City's contributions. As you know, the City has pre-paid its retirement contributions in July; however, the City postponed pre-payment of 5.25% for Fire employees in the Police and Fire Department Retirement Plan, pending a possible agreement with Local 230. The City has delayed this payment for over 2 months and intends to make the pre-payment for these additional contributions on September 15, 2010, as we notified you in our letter dated August 31, 2010.

Service Delivery Model/Minimum Staffing

We have discussed that the 8.91% total compensation reduction generates sufficient savings to staff the Fire Truck and the four Fire Engines, as required in the San Jose Firefighters' contract. Specifically, the contract requires that an Engine be staffed with a minimum of four Fire line personnel and that a Truck be staffed with a minimum of five Fire line personnel. When a firefighter is absent for a shift, the Fire Department is required to fill the absence with on-duty relief personnel or by paying overtime to fill the vacancy.

During these negotiations, the City has raised the issue of changes to the Minimum Staffing provisions of the union contract. Since we have not been able to reach an agreement on changes to the Minimum Staffing provisions, we have not included it in the enclosed proposal. However, this is an issue the City is still interested in.

Other Issues

There are many other issues the City has raised during the contract negotiations. These include changes to the unlimited sick leave payout benefit and City-paid time off from normal duties to conduct union business. Although these and other issues can be included in the upcoming arbitration, we have not included them in the enclosed package proposal in an effort to reach an agreement that would allow the City to rehire the 49 firefighters and restore the Fire Truck and

the four Fire Engines. As noted on the enclosed package proposal, if it is not accepted, the City reserves the right to modify, amend and/or add proposals.

We hope the enclosed package proposal provides the specifics that you indicated some members were seeking, and we remain hopeful that with this information the San Jose Firefighters will accept an 8.91% reduction in total compensation that would generate sufficient funds to rehire the 49 firefighters and restore the Fire Truck and four Fire Engines.

We would appreciate hearing back from you as soon as possible, but not later than September 24th, as to whether or not the enclosed package proposal is acceptable to the San Jose Firefighters.

Sincerely,



Alex Gurza
Director of Employee Relations

Enclosure

c: Jeff Welch, Local 230 Vice President
 Juan Diaz, Local 230 Representative
 Soren Coats, Local 230 Representative
 Chris Platten, Local 230 Legal Counsel
 Teresa Reed, Assistant Fire Chief
 Aracely Rodriguez, City Negotiating Team Member
 Marcus Hermanson, City Negotiating Team Member

**CITY OF SAN JOSE
AND
INTERNATIONAL ASSOCIATION OF FIREFIGHTERS, LOCAL 230
CITY PACKAGE PROPOSAL FOR SETTLEMENT C**

This package proposal is submitted to the San Jose Firefighters (IAFF, Local 230) in an attempt to reach a voluntary agreement that would generate sufficient savings to rehire the 49 firefighters who were recently laid off and restore the Fire Truck and Four Fire Engines that were removed from service as part of balancing the City's \$118.5 million budget deficit in Fiscal Year 2010-2011.

If this package proposal is accepted, it will avoid the binding interest arbitration scheduled for November 2010. In the event the package proposal is not accepted, the City reserves the right to modify, amend and/or add proposals, including, but not limited to, the effective dates of the specific changes. In the event of interest arbitration, final proposals are not limited to and need not reflect the issues or proposals made during bargaining.

PERIOD OF MEMORANDUM OF AGREEMENT

Term: July 1, 2009 – June 30, 2011

WAGES

See Attached (City Proposal #3)

HEALTH INSURANCE COST SHARING

See Attached (City Proposal #9)

HEALTHCARE HMO PLAN DESIGN

See Attached (City Proposal #10)

UNIFORM ALLOWANCE

See Attached (City Proposal #12)

COMMENCEMENT OF NEGOTIATIONS

See Attached (City Proposal #18)

RETIREMENT COST MITIGATION

See Attached (City Proposals #24, #25, #26, #27, #29, #31, #57, #60)

RETIREE HEALTHCARE FUNDING

As proposed on May 6, 2010 (City Proposal #30)

HEALTH AND/OR DENTAL IN LIEU

See Attached (City Proposal #61)

**CITY OF SAN JOSE
AND
INTERNATIONAL ASSOCIATION OF FIREFIGHTERS, LOCAL 230
CITY PACKAGE PROPOSAL FOR SETTLEMENT C**

HEALTHCARE DUAL COVERAGE

See Attached (City Proposal #68)

NO LAYOFFS DURING FISCAL YEAR 2010-2011

See Attached (City Proposal #70)

CITY OF SAN JOSE – IAFF NEGOTIATIONS

CITY PROPOSAL #3

Proposal Wages

Proposed Language

ARTICLE 5 WAGES AND SPECIAL PAY

5.1 Wages and Special Adjustments

~~Effective July 3, 2005, all persons represented by the IAFF shall receive a wage increase of 1.50%.~~

~~Effective July 2, 2006, all persons represented by the IAFF shall receive a wage increase of 5.70%.~~

~~Effective July 1, 2007, all persons represented by the IAFF shall receive a wage increase of 5.70%.~~

~~Effective June 29, 2008, all persons represented by the IAFF shall receive a wage increase of 3.75%.~~

~~Any general wage increase during the term of the MOA will be reduced by the cost of any additional premium pay for Special Operations effective on or after the first pay period of that fiscal year.~~

Effective Fiscal Year 2010-2011, all salary ranges for employees holding positions in classifications assigned to IAFF, Local 230, shall be decreased by approximately 9.00%. This will result in the top and bottom of the range of all classifications represented by IAFF, Local 230 being 9.00% lower. All employees will receive a 9.00% base pay reduction.

CITY PROPOSAL #9

Proposal Healthcare Benefits

Proposed Language

ARTICLE 6 INSURANCE BENEFITS

6.1 Health Insurance Coverage.

6.1.1 Eligible employees may elect health insurance coverage under one (1) of the plans for employee only or for employee and dependents. As of the effective date of this Agreement, the plans include: Kaiser, Blue Shield HMO, and Blue Shield POS/PPO.

~~6.1.2 The City will pay ninety percent (90%) of the full premium cost of the lowest cost plan for employee or for employee and dependent coverage, and the employee will pay ten percent (10%) of the premium of the lowest cost plan up to a maximum of \$25.00 per month. Any additional amount above the cost of the lowest priced plan, less \$25.00 per month, required for the premium of any plan other than the lowest priced plan shall be paid by the employee.~~

~~6.1.3 Effective January 1, 2007, the City will pay ninety (90%) percent of the full premium cost of the lowest cost plan for employee or for employee and dependent coverage and the employee will pay ten (10%) percent of the premium of the lowest cost plan up to a maximum of \$100.00 per month. Any additional amount above the cost of the lowest priced plan, less \$100.00 per month, required for the premium of any plan other than the lowest priced plan shall be paid by the employee.~~

~~6.1.24~~ Effective January 1, 2008, the City will pay ninety (90%) percent of the full premium cost of the lowest cost plan for employee or for employee and dependent coverage and the employee will pay ten (10%) percent of the premium of the lowest cost plan up to a maximum of \$150.00 per month. Any additional amount above the cost of the lowest priced plan, less \$150.00 per month, required for the premium of any plan other than the lowest priced plan shall be paid by the employee.

6.1.3 Effective Fiscal Year 2010-2011, the City will pay eighty-five (85%) percent of the full premium cost of the lowest cost plan for employee or for employee and dependent coverage and the employee will pay fifteen (15%) percent of the premium of the lowest cost plan. If an employee selects a plan other than the lowest priced plan, the employee shall pay the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan for employee or for employee and dependent coverage.

CITY OF SAN JOSE – IAFF NEGOTIATIONS

CITY PROPOSAL #10

Proposal Co-pays for HMO Plans

Proposed Language

ARTICLE 6 INSURANCE BENEFITS

6.1.5 ~~Effective January 1, 2008, c~~Co-pays for all available HMO plans shall be as follows:

- a) Office Visit Co-pay shall be increased to \$10.
- b) Prescription Co-pay shall be increased to \$5 for generic and \$10 for brand name.
- c) Emergency Room Co-pay shall be increased to \$50.

6.1.6 Effective January 1, 2011, co-pays for all available HMO plans shall be as follows:

- a) Office Visit Co-pay shall be increased to \$25.
- b) Prescription Co-pay shall be increased to \$10 for generic and \$25 for brand name.
- c) Emergency Room Co-pay shall be increased to \$100.
- d) In-patient/Out-patient Procedure Co-pay shall be increased to \$100.

CITY OF SAN JOSE – IAFF NEGOTIATIONS

CITY PROPOSAL #12

Proposal Uniform Allowance

Proposed Language

8.1 An annual Uniform Allowance not to exceed \$495.00 shall be paid to each sworn person who holds a position within the classifications listed below ~~in accordance with the provisions of Section 8(a) of Resolution Number 51872, as amended, by the City Council.~~ This shall be paid on a regular paycheck and the required tax deductions shall be applied.

2314	Battalion Chief	3333	Fire Master Mechanic
2313	Fire Captain	2326	Fire Prevention Inspector
3332	Assistant Fire Master Mechanic	2312	Fire Engineer
2310	Fire Fighter Recruit	2311	Fire Fighter
2328	Arson Investigator		

Upon successful completion of the firefighter academy, a firefighter recruit shall receive an advance of \$250.00 to be deducted from future uniform allowance payments.

8.2 If an employee entitled to uniform allowance has less than two-thousand eight-hundred eighty (2,880) paid hours in the prior year, then uniform allowance will be reduced in the proportion that the employee's unpaid hours bear to two-thousand eight-hundred eighty (2,880) or equivalent conversion time for personnel on a forty (40) hour schedule.

8.3 Effective Fiscal Year 2010-2011, employees shall be ineligible to receive any uniform allowance payments as described in Sections 8.1 and 8.2 above.

CITY OF SAN JOSE – IAFF NEGOTIATIONS

CITY PROPOSAL #18

Proposal Commencement of Negotiations

Proposed Language

ARTICLE 1 TERM

- 1.2 ~~It is the mutual desire of the parties to conclude the meet and confer process as early as possible prior to the expiration of this Agreement. Therefore, prior to April 1 preceding the expiration of this Agreement, each party will furnish the other with a list of the issues it wishes to raise in the meet and confer process.~~
- 1.3 ~~The City agrees to begin the meet and confer process as soon thereafter as is reasonably possible.~~

ARTICLE 17 FULL UNDERSTANDING, MODIFICATION AND WAIVER

- 17.5 ~~Both parties agree that, at the request of the other, the first negotiation session shall occur during the first full week of the month of April immediately prior to the contract expiration.~~

NEW ARTICLE COMMENCEMENT OF NEGOTIATIONS

It is mutually agreed that the first meeting of the parties will be held no later than twenty (20) calendar days after the City or Union receives notice from the other, which may be any date after January 1 of the year in which the current contract terminates.

CITY OF SAN JOSE – IAFF NEGOTIATIONS

CITY PROPOSAL #24, #25, #26, #27, #29, #31, #57, #60 – RETIREMENT COST MITIGATION

Retirement Benefits Reopener

The parties agree to commence meeting and conferring within thirty (30) calendar days following ratification of the membership and City Council approval for a successor memorandum of agreement, on retiree healthcare benefits for future employees and pension benefit/costs for current and future employees.

The City and IAFF shall negotiate in good faith in an effort to reach a mutual agreement.

CITY PROPOSAL #30

Proposal Retiree Healthcare Funding

Proposed Language

ARTICLE 29 RETIREE HEALTHCARE FUNDING

(Current Article 29 and subsequent articles to be re-numbered)

- 29.1 The City and the Union agree to transition from the current partial pre-funding of fire retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the fire retiree healthcare benefits plan ("Plan"). The transition shall be accomplished by phasing into fully funding the ARC over a period of five (5) years beginning June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.36.575 (C) (1) and (2) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of three-to-one. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 29.2 The City and the Union further agree that the Municipal Code and/or applicable plan documents shall be amended in accordance with the above agreement and that the Union will support such amendments.
- 29.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Police and Fire Department Retirement Plan Board's actuary, and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be divided in five steps (using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year. The first increment of the phase-in shall be effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each increase may vary upward or downward.
- 29.4 The City will establish a qualified trust ("Trust") before June 30, 2011.
- 29.5 It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Fire retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.

CITY OF SAN JOSE – IAFF NEGOTIATIONS

CITY PROPOSAL #61

Proposal Health and Dental In Lieu

Proposed Language

6.4 Payment-In-Lieu Of Health And/Or Dental Insurance Program.

6.4.1 The purpose of the payment-in-lieu of health and/or dental insurance program is to allow employees who have double health and/or dental insurance coverage to drop the City's insurance and receive a payment-in-lieu.

6.4.2 Employees who qualify for and participate in the payment-in-lieu of health and/or dental insurance program will receive fifty percent (50%) of the City's contribution toward the employee's health and/or dental insurance at the lowest cost single plan, or family plan if the employee is eligible for family coverage. The City will retain the remaining fifty percent (50%) of that contribution.

Effective December 26, 2010, employees who qualify for and participate in the payment in-lieu of health and/or dental insurance program will receive the following per payperiod:

	<u>Health in-lieu</u>	<u>Dental in-lieu</u>
<u>If eligible for family coverage</u>	<u>\$221.84</u>	<u>\$19.95</u>
<u>If NOT eligible for family coverage</u>	<u>\$89.09</u>	<u>\$19.95</u>

6.4.3 A City employee who receives healthcare coverage as a dependent of another City employee or retiree shall be deemed not eligible for family coverage.

6.4.43 The payment-in-lieu of health and/or dental insurance program is available to full-time employees who are not on a reduced work week or unpaid leave and have alternate group health and/or dental coverage. To qualify, an employee must provide proof of alternate group coverage to Human Resources. Alternate coverage must be acceptable by the City.

6.4.46.4.5 Enrollment in the payment-in-lieu of health and/or dental insurance program can only be done during the first thirty (30) days of employment or during the annual open enrollment period. Enrollment in the payment-in-lieu of insurance program may be canceled by the employee only during the annual open enrollment period unless the employee loses alternate group coverage. Enrollment or cancellation during the open enrollment period will become effective the first pay period of the following calendar year.

6.4.56.4.6 Domestic Partners. Effective October 31, 2001, IAFF members (active employees only) will be eligible to include domestic partners (per the terms and conditions as described on the Affidavit of Domestic Partnership) as dependents for benefits enrollment.

CITY OF SAN JOSE – IAFF NEGOTIATIONS

6.4.66.4.7 Payments for the in-lieu insurance program will be discontinued if an employee becomes ineligible for the program. An employee's ineligible status would include but not be limited to the following situations, employment status changes from full to part time, employee is on an unpaid leave of absence, employee is on a reduced work week, or employee loses or does not have alternate insurance coverage. An employee whose in-lieu payments are discontinued may enroll, if eligible, in a health and/or dental plan during the next annual open enrollment period.

6.4.8.7 If an employee loses alternate coverage, the employee may enroll in a City health and/or dental plan outside of the open enrollment period. To be eligible the employee must provide verification that alternate coverage has been lost.

6.4.87.1 Health Insurance. To enroll in a City health insurance plan following loss of alternate coverage, the employee must pay all unpaid premiums (City and employee contributions) and refund any excess in-lieu-payments required to make the coverage effective on the date when alternate coverage ceased. Re-enrollment in the plan shall be in accordance with the carriers enrollment procedures.

6.4.87.2 Dental Insurance. Enrollment in a City dental insurance plan following loss of alternate coverage will become effective the first of the month following payment of two (2) dental premiums through the City's payroll process. Re-enrollment in the dental insurance plan shall not be retroactive.

CITY OF SAN JOSE – IAFF NEGOTIATIONS

CITY PROPOSAL #68

Proposal Healthcare Dual Coverage

Proposed Language

6.1 Health Insurance Coverage

6.1.6 Effective January 1, 2011, an employee may not be simultaneously covered by City-provided medical benefits as a City employee, and as a dependent of another City employee.

6.2 Dental Plan

6.2.4 Effective January 1, 2011, an employee may not be simultaneously covered by City-provided dental benefits as a City employee, and as a dependent of another City employee.

CITY OF SAN JOSE – IAFF NEGOTIATIONS

CITY PROPOSAL #70

Proposal Rehire Laid Off Firefighters and No Further Layoffs for Fiscal Year 2010-2011

ARTICLE 1 TERM

1.4 Effective after ratification by the membership and City Council approval for a successor MOA, the City shall rehire the 49 firefighters that were laid off at the beginning of Fiscal Year 2010-2011. There shall be no further layoffs of positions represented by IAFF, Local 230 through the remainder of Fiscal Year 2010-2011. Although there shall be no additional layoffs during this period, the parties understand that the Fiscal Year 2010-2011 Budget includes the elimination of positions represented by IAFF, Local 230.

For purposes of this section, layoff shall be defined as involuntarily leaving City employment due to budget reductions.

Any positions restored through one-time savings will restore positions for Fiscal Year 2010-2011 only. These positions will be eliminated on June 30, 2011.